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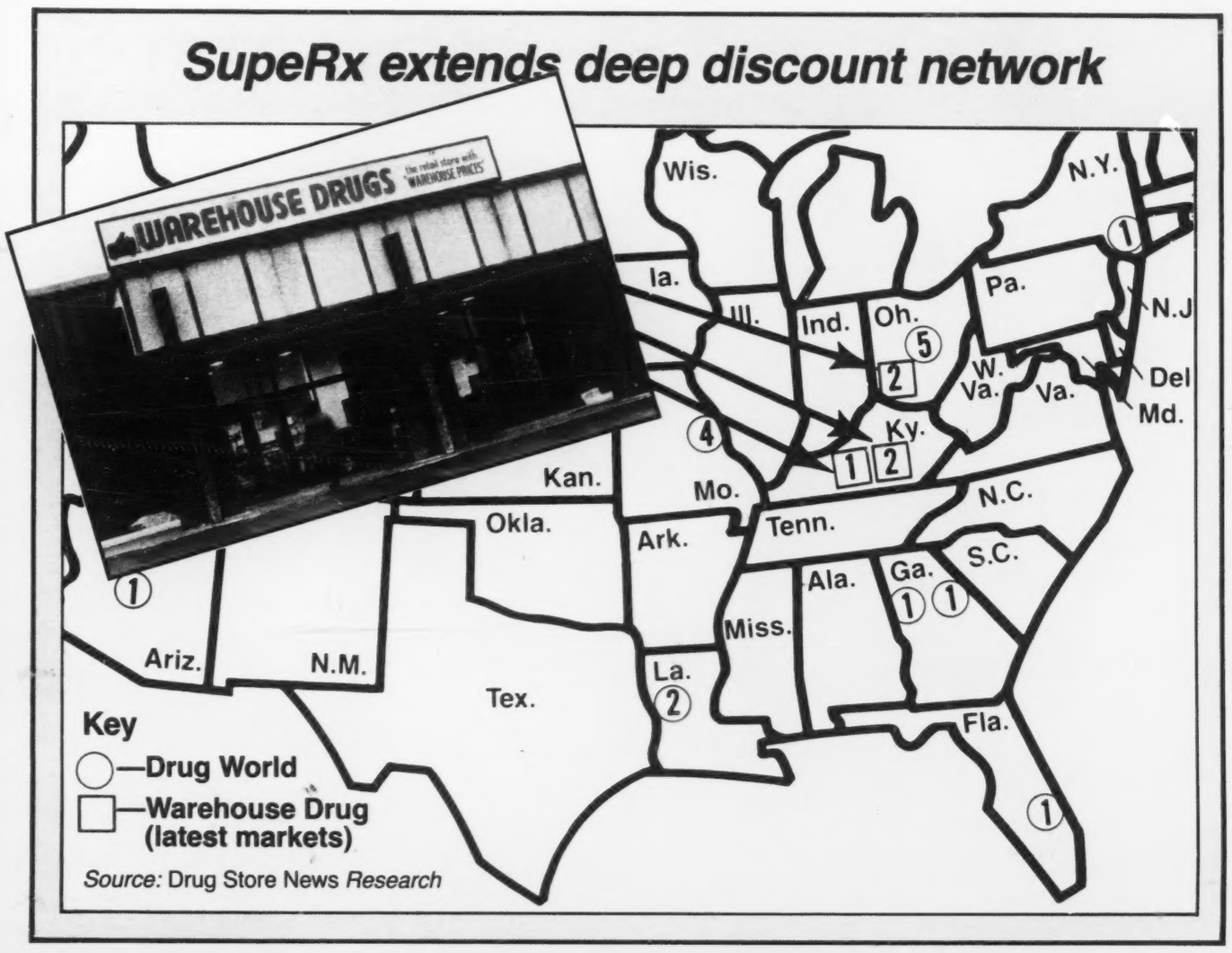
DRUG STORE NEWS

Vol. 8/No. 2 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. January 20, 1986



SupeRx expands off-pricers; buys 5 Warehouse Drug units

CINCINNATI — SupeRx Drugs has made its first acquisition of a regional deep discount chain, becoming one of the nation's four largest operators of the low-price retail stores.

The chain, owned by Kroger Company, is acquiring five Warehouse Drug stores from Mi-Lo Inc., headquartered in Fort Mitchell, Ky. The purchase will give SupeRx nearly twice as many deep discount stores—at 21 units—as its nearest competitor among conventional drug store chains.

The move also provides SupeRx with a deep discount-

Continued on page 42

New Drug World prototype larger

CINCINNATI — SupeRx Drugs is refining its deep discount store concept with a new, larger Drug World prototype.

The chain has opened three new stores—one in Shreveport, La., one in Bossier City, La., and one in Rome, Ga.—that are about 10,000 sq. ft. larger than the original Drug World stores.

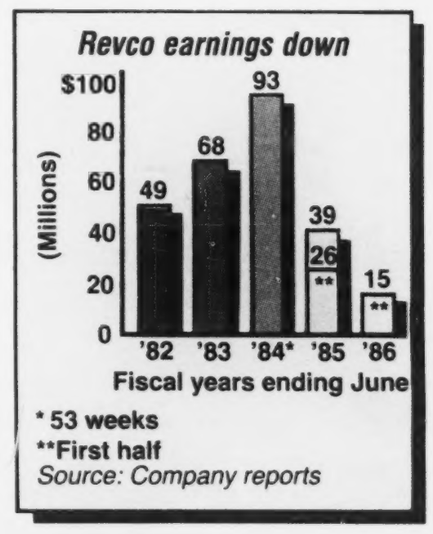
SuperRx executives expect the new format to offer several advantages including providing more room to experiment with additional sku's of general and seasonal mer-

Continued on page 42

Revco confident margins will grow

By Dave Vaczek

TWINSBURG, Ohio — Revco said that increased profit margins stemming from a more selective pricing strategy in key eastern markets, coupled with improvements in its unproductive Odd Lot division, should produce year-end results topping 1985's, although second-quarter earnings dropped 47%.



The company said income will be boosted from improved gross margins resulting from the cancellation of a test program in which prices were slashed last year in 230 stores in six markets. The impact of the new pricing approach—which adjusts prices on a store-by-store basis rather than uniformly through a market—won't be felt until the third quarter, officials said.

Revco is also betting that it can turn around operations of its Odd Lot retail stores, where it is revamping the merchandising mix, layouts and decor. The company is committed to testing the close out merchandise concept with Odd Lot, although the division continued to have a negative impact on earnings in the second quarter ended Nov. 12.

An operating loss in the Odd Lot division reduced earnings by 6¢ a share, for total earnings per share of 17¢, compared to 28¢ in the 1985 quarter. Earnings were $5.5 million, down from $10.4 million in the comparable 1985 quarter.

Sales increased 14% to a record $601 million, compared to the previous year's quarter of $526.6 million. Odd Lot's retail division sales contributed $23.2 million.

The performance left year-to-date sales up from last year at $1.18 billion compared to $1.03 billion, but earnings are down at $14.8 million or 44¢ a

Continued on page 42

Supermarkets General expands off-pricers

Co. to build 7 conventional and 7 deep-discount stores

NEW YORK — Supermarkets General Corp. plans to roll its deep discount operations into Virginia as part of a record capital spending plan for 1986 that will fund 14 new drug stores.

The giant diversified retailer will build seven conventional drug stores and seven deep discount stores using a $200 million capital budget that is 50% larger than the 1985 budget, Leonard Lieberman, Supermarkets General's president and ceo, told security analysts here recently.

Lieberman said the deep discount stores will be used to enter the new market of Virginia "and perhaps farther south." He said they are the best vehicle for geographic expansion because they use merchandising, operations and advertising programs that are separate from the conventional drug stores and supermarkets.

A source said the deep discount stores should resemble existing prototypes of the company's two deep discount chains, with 20,000 to 22,000 sq. ft., and 10% food. But Lieberman didn't reveal merchandising details, or specify whether the stores will carry the banner of the Pathmark Super Drug Stores, or of Heartland Drug Stores, the 12-store deep discount chain in eastern Massachusetts the company acquired when it bought Purity Supreme in 1984.

PS
Pathmark
"Our record 1986 capital spending budget is not a one-year spike in our plans, but a permanent step up to a new level of spending."
—Leonard Lieberman

Lieberman said the deep discount Pathmark Super Drug stores have captured about 5% of the Baltimore market since the first store was introduced a year and a half ago. There are now five stores in Maryland, and one in

Continued on page 42

Retailers caught in diaper war Page 9

0023447C DR C
MS JEANNE LONG
CONGRESSIVE INFO SRVCS I 15F 11
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

Pay Less installs apparel in 90% of units

Promotion features 4-color newspaper inserts

WILSONVILLE, Ore. — To capitalize on the profit opportunities in apparel, Pay Less NW is installing departments in all stores in the 30,000-sq.-ft. area and above. Thus, approximately 90% of Pay Less' 183 stores are being tapped for apparel departments.

The only exception is Value Giant, Pay Less' deep-discount drug stores. "We have no plans for apparel departments in Value Giant at this time," Dan Barrett, Pay Less' general manager of apparel, told *Drug Store News*. Barrett, a veteran apparel merchandiser, joined Pay Less at the beginning of 1985.

Forty apparel departments will be onstream by April 1986, with the remaining stores scheduled for 1987.

Currently, Pay Less operates 21 leased apparel departments—4,000 to 6,000 sq. ft. However, most of these leases expire at the end of this month and will be replaced by Pay Less-operated departments.

In setting up the department, Pay Less has drawn on the expertise of its parent, K mart, but Barrett notes, "the apparel department is strictly a Pay Less operation."

However, there are similarities. The price points of both K mart and Pay Less are in the medium range. Also, both use apparel racks which Barrett highlights as "strong, chrome, circular four-way and six-way racks." These fixtures consist of a post with either four or six arms.

Barrett also points to a difference in fixtures: "K mart uses advanced finger walls [these are wall displays with dividers separating the various categories]. The fixtures permit merchandise to be hung in depth."

Another difference is that K mart's apparel departments are larger, averaging 15,000 sq. ft.

What happens when a Pay Less superdrug store with apparel is competing with K mart in the same area? "The potential is there for both," says Barrett. "The two big requisites for a successful operation are traffic and proper promotion."

Pay Less will use four-color four and eight-page rollouts weekly, to be distributed as newspaper inserts or as mailers—depending on the individual market. However, Pay Less does not plan to advertise in its regular drug store ads.

The size of the department will vary according to the size of the store. Apparel will not be installed in the new 20,000-sq.-ft. prototype. However, in stores larger than 20,000 sq. ft., but smaller than 30,000 sq. ft., the department will be 4,000 sq. ft. In the typical 30,000-sq.-ft. Pay Less superdrug store, apparel will occupy 6,000 sq. ft. to 8,000 sq. ft. In stores larger than 30,000 sq. ft.—such as the 80,000-sq.-ft. Broadway store in Oakland and the 60,000-sq.-ft. Castro Valley unit—the department will go to 12,000 sq. ft.

The location of the department will vary, depending on available space and the configuration of the layout, but Pay Less will try to keep apparel upfront for high impact.

The lines carried include men's, women's, children's and accessories.

A full line of infant apparel will be tested in nine stores.

There will be a full line of children's apparel: sizes 4 to 14, girls; 4 to 18, boys. Tickets will range from $4 to $12.

Approximately 20%-25% of the inventory will be imported; the rest, domestic.

NEWS IN BRIEF

Rite Aid to rebuild Bronx Drug Palace

NEW YORK — Rite Aid will rebuild by early spring an 8,500-sq.-ft. Drug Palace store destroyed in a fire here Dec. 27, in which three employees died.

The cause of the fire is under investigation, said a company spokesman, who added the blaze broke out in the basement near where the three victims were found. They were Laura Buccheri, Anthony Cavaliere and Frank Kelly, all 17 and residents of the Bronx. They were part-time workers at the three-month-old deep-discount store, the spokesman said.

The store, at 3085 East Tremont Ave., "was 75% damaged," the spokesman said. Rite Aid leases the one-story building, a converted supermarket. It's one of 12 deep-discount stores which Rite Aid operates and will expand in 1986, he said.

Bergen's sales predicted to hit $3B

BEVERLY HILLS, Calif. — Emil P. Martini Jr., chairman and ceo of Bergen Brunswig, told shareholders at the wholesaler's annual meeting here that sales in the current fiscal year ended Aug. 31 should reach $3 billion.

Martini said Bergen would meet its projected annual sales growth of 25%, and a prime factor is the outlook for prescription drugs. "Total U.S. pharmaceutical sales are estimated at $21 billion for this year, up from $7 billion 10 years ago, and should reach $31 billion in 1990," he said.

Five recent acquisitions should account for $641 million in added sales, he said. They are Allen Co., Synergex, Davis Bros., Cibcoa and Berry Wholesale Drug.

Drug Fair unveils 2nd race track

MOSCOW, Idaho — Just a few months after unveiling its first race track-style drug store in Helena, Mont., Drug Fair Northwest has opened a second 17,000-sq.-ft. race track store here.

President Paul Mateucci said sales in the Helena store have increased 60% over sales in an old, smaller store, which it replaced. He also reported a higher than average transaction per customer.

The location of the pharmacy has been moved in the new store, partly because of the shape of the building, but also to assure that customers must pass by the whole pharmacy on their way around the race track.

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Vol. 8, No. 2 January 20, 1986

Analysts: 'better times coming'

NEW YORK — Despite a year of earnings slumps throughout the drug store industry, 1985 ended with drug chain stocks managing to hold their own.

With the stock market bullishly closing 1985 at an all-time high, the drug chains underperformed the market as a whole. But more climbed than fell, and many of the climbers finished close to their highs for the year.

None of the companies reached the heights that some fast-movers attained in 1983, but neither were there any of the dramatic plunges that showed up on the board in 1984. Financial analysts say that better times are coming for the drug store industry.

"I don't look for the major companies to really get it going until later this year or early next year," said Susan Schmeirer, who tracks drug chains for L. F. Rothschild, Unterberg & Towbin. "But the trend is up. We've already hit bottom."

'86 stock scorecard
See page 6

The upward trend was visible in the appreciation of the stock of 10 of the 12 leading public drug chains tracked by *Drug Store News*. At the close of the year, seven were approaching their year's high, while four attained a middle ground between the high and the low.

Perry, Walgreens and Longs, three companies that kept their earnings high all year, closed on the high side. Perry closed at 45% higher than last year; Walgreens closed with a 25% rise; Longs ended the year with a rise of 38.4%. Two surprises were Big B and Thrifty. Big B rose a comfortable 42.5% and Thrifty managed a 24.5% rise.

Schmeirer explained Thrifty's good showing as the result of takeover rumors. The company, she said, owns a lot of real estate in Los Angeles, making it a good candidate for takeover.

Some of the problem companies included Eckerd, Revco and Rite Aid, Eckerd, with a leveraged buyout imminent, pulled out a 7.4% rise. Revco, whose declining earnings trend has still not reversed, rose 5.7%. Rite Aid, which had a tough Christmas season, according to one analyst, was on the low end of the climbers with a rise of 2% over last year.

"We're looking for a better performance in earnings for next year as the drug chains learn to cope with disinflation and to take a more conservative inventory posture," said Rick Nelson, an analyst with Duff & Phelps.

Holiday sales 'fair,' retailers say

NEW YORK — With Christmas sales rising in mainly single digits, most retailers described the season as "not spectacular" and as "fair." But most also said they had expected and planned for a mediocre season.

"I would not call it a great Christmas season by any means," said Henry Panasci, ceo at Fay's. "But it was pretty much on plan saleswise."

Fay's December sales rose 28% over last year's due to the opening of 20 new stores in 1985, he said. Comparable store sales were up 11%.

The disappointing year could be seen in half-price sales both during and after the holidays, in heavy promotions, and in markdowns. Thrifty ran a full-page newspaper ad promoting such things as crystal, ceramicware, woodenware, porcelain and lamps at half price before the season ended. Genovese ran after-Christmas ads touting gifts and accessories for half price, and couponing such things as L'Oreal's nail and lip accents and Revlon's mascara.

Among the reasons given for the bland season were heavy competition from deep discounters, warehouse stores, supermarkets, combos and other chains. The shortened season between Thanksgiving and Christmas was also named as a reason (there were six fewer days between the two holidays this year).

Jack Sprabary, merchandise manager at Cullum Companies, said a recent repeal of blue laws in the area had an affect on Page Drug sales. "All the shopping malls were packed on Sundays," he said. Until this year, only drug stores were permitted to stay open on Sundays. Christmas sales at Cullum rose 5% to 6% this year.

A 24-in. snowfall in the northwest early in the season affected sales at Pay 'n Save, said president Maynard Jenkins.

Richard Lazenby, merchandise manager at Standard Drug, speculated that heavy buying of large items such as washing machines and microwaves "put a damper on our kind of business" this year.

Primo and Vanderbilt were named as this year's hot fragrances, and knockoffs, in general, were said to be good sellers. Lazenby said Standard quadrupled its Vanderbilt order this year and still sold out. "I'm still amazed at Vanderbilt," Lazenby said. "It's the blue-collar Giorgio." Although Vanderbilt sells for $10 to $15, Lazenby said, it "turns over like Enjoli and Jovan used to turn over at $6."

FINANCIAL

Perry Drug's earnings rise 15%

PONTIAC, Mich. — Perry Drugs posted a 15% gain in earnings per share for its 1985 fiscal year after record fourth quarter earnings and sales, the company announced.

Results for the fiscal year ended Oct. 31 also hit record highs. Perry earned $9.6 million, compared to $7.6 million in 1984, on sales of $521.6 billion, up 40% from the previous year's sales of $371.9 million. Net earnings increased 26% from 1984.

Earnings per share for the year climbed to 97¢ from 84¢ in 1984, after adjusting for a 3-for-2 stock split distributed Sept. 10.

The company said expansion through new store construction and acquisitions in its drug store, auto parts and health care divisions placed additional burdens on costs.

Jack A. Robinson, Perry president and chief executive officer, said the results are "commendable, particularly given the expenses we incurred to integrate the many acquisitions we made during the last two years."

Fourth quarter sales increased 50% from $96.4 million in 1984 to $144.9 million and earnings grew 14%, from last year's $2.1 million in the fourth quarter to $2.4 million. Fourth quarter earnings per share were 24¢, compared to 23¢ in the 1984 quarter.

"It was another good year for Perry, in a lackluster retailing environment," said Elliott Schlang, editor of the Great Lakes Review, an investors' newsletter.

"Very few chains have been able to show this kind of per cent growth in earnings per share. Their heavy new store opening program and acquisitions, I think, makes the results even more impressive than meets the eye," said Schlang.

The Midwest chain also an- quarterly dividend to 5½¢ from 4⅔¢ payable Jan. 10, the 11th dividend increase in 10 years.

Chain drug scorecard for 1985

Company	Closed 1984	Closed 1985	% Change
Perry Drug	11.75*	17.13	+45.7
Big B	10.88	15.50	+42.5
Longs	22.13**	30.62	+38.4
Walgreens	22.50**	28.12	+25.0
Thrifty	19.88	24.75	+24.5
Medicare-Glaser	4.00	4.50	+12.5
Jack Eckerd	28.75	30.87	+ 7.4
Revco	24.13	25.50	+ 5.7
Begley	15.50	16.25	+ 4.8
Rite Aid	25.38	25.87	+ 2.0
Genovese	12.75	11.13	−12.7
Fay's Drug	10.13	8.75	−13.6

*Adjusted for 3-for-2 split
**Adjusted for 2-for-1 split

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 12/20/85 - 12/31/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	65.50	63.50	64.75	-.63	-.96	68.25	39.00	-.14	-.64	-2.30	-17.23	5.71	.86	N 19.5	34.0	1.5	12.3	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.25	16.25	16.25	.00	.00	17.63	15.00	-.15	-.49	-4.09	.00	1.26	.12	S 9.9	5.0	1.1	12.2	.72	4.4	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	15.50	15.00	15.50	.38	2.48	19.50	10.75	.36	.26	-2.97	57.84	.68	.11	N 18.0	19.0	3.0	21.5	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.63	4.25	4.63	.13	2.78	6.13	3.38	-.20	1.17	3.20	-2.03	.35	-.12	Q -24.0	NC	1.2	12.2	.60	13.0	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	30.88	30.63	30.88	.13	.41	32.88	20.00	-.12	-.38	-.69	-37.84	-.22	-2.61	Q -100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	9.38	8.63	8.75	-.50	-5.41	13.00	8.00	.11	-.51	-1.30	17.18	.62	-.32	N -48.5	30.0	2.4	25.7	.20	2.3	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	11.38	10.88	11.13	-.13	-1.11	15.88	9.13	-.22	-.47	-.29	26.47	1.03	.07	S 6.8	40.0	1.9	10.1	.20	1.8	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	31.38	29.63	30.63	-.38	-1.21	31.75	21.69	.04	-.17	-3.64	-24.31	1.88	.10	N 5.5	10.0	2.9	15.9	.72	2.4	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.50	.50	12.50	6.25	4.00	-.59	.15	1.29	1.17	.05	-.38	* -88.4	NC	.2	90.0	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	18.00	16.88	17.13	-.50	-2.84	18.75	10.75	-.46	-.71	1.83	-16.59	.98	.14	F 16.7	16.0	1.8	17.5	.19	1.1	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	27.00	25.25	25.50	-.38	-1.45	29.50	23.13	-.39	-.05	.84	17.44	1.06	-1.50	S -65.2	-5.0	1.6	31.9	.80	3.1	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	25.88	25.00	25.88	.13	.49	33.50	21.50	.05	-.38	2.05	-61.53	1.69	.13	S 8.2	9.0	4.8	15.1	.50	1.9	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	25.00	24.00	24.75	.00	.00	25.38	18.13	.06	.01	.22	-23.02	1.60	.20	F 14.3	16.0	2.3	15.5	.60	2.4	05-06-85	1404.9	31.9	1.5	4.46	7.72
Walgreen Co	WAG	28.88	27.63	28.13	-.75	-2.60	30.25	21.50	-.09	-.45	1.83	-9.59	1.53	.14	F 10.1	21.0	3.0	18.4	.50	1.8	11-05-85	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	32.50	31.88	32.00	-.38	-1.16	32.63	22.00	.22	-.47	-1.35	-39.28	1.91	.26	Q 15.8	15.0	1.0	16.8	.32	1.0	10-28-85	2434.9	24.2	1.7	11.68	12.68
Bindley Wstn	BIND	9.50	9.25	9.50	.25	2.70	15.00	7.75	.16	.21	-2.89	2.76	.73	.15	N 23.4	23.0	.8	12.0	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	19.50	19.00	19.38	-.13	-.64	19.50	12.28	.23	-.66	4.08	17.83	1.01	.21	S 23.1	NC	1.2	17.3	.08	.4	10-08-85	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	12.50	12.25	12.38	-.13	-1.00	15.25	9.25	.09	-.48	-4.48	3.80	.74	.07	N 9.9	14.0	1.7	15.9	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	24.00	22.38	24.00	1.00	4.35	29.75	21.50	-.49	.30	-3.13	-1.30	1.56	.02	S 1.3	26.0	1.3	15.3	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	22.13	20.00	20.25	-1.50	-6.90	23.25	14.06	.47	-2.45	5.79	-28.63	.56	.14	S 35.0	NC	.2	37.5	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	53.50	51.00	52.38	-1.00	-1.87	53.50	37.00	-.11	-.11	.09	8.34	3.60	.02	S .5	-1.0	1.3	13.9	2.40	4.6	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	23.25	22.13	22.13	-.88	-3.80	23.38	8.81	.30	-1.40	1.90	-61.96	1.02	.45	N 47.4	18.0	2.9	15.8	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	18.00	17.75	18.00	-.25	-1.37	18.25	8.50	.24	-.28	-1.15	15.54	.95	.23	N 26.1	16.0	1.2	16.2	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	68.75	65.13	68.38	1.75	2.63	72.00	39.88	.14	.69	3.02	-7.35	3.34	.52	N 16.3	17.0	13.0	18.4	1.40	2.0	10-08-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	64.00	62.00	62.88	-1.25	-1.95	66.88	50.63	.03	-.36	-1.64	10.29	4.39	.26	N 6.0	11.0	15.1	13.7	2.90	4.6	11-06-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	15.75	14.75	15.75	.75	5.00	16.88	12.38	.21	.53	-5.29	2.55	.21	-1.06	N -82.8	-25.0	1.6	71.6	.37	2.3	12-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	21.13	20.75	20.75	-.50	-2.35	23.50	14.56	-.52	-.74	9.97	-55.69	1.70	.20	S 12.5	11.0	10.5	11.5	.49	2.4	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	17.75	16.38	17.50	.50	2.94	22.63	11.50	-.04	.66	-2.05	39.02	.61	.10	N 17.2	22.0	18.2	25.7	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	67.25	65.00	66.25	-1.00	-1.49	68.50	49.88	.02	-.38	-.10	-12.07	3.45	.42	N 12.5	14.0	11.3	17.6	1.88	2.8	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	51.38	47.75	48.13	-3.25	-6.33	51.38	24.75	.11	-1.13	-1.46	-15.05	2.66	.77	S 30.1	21.0	5.9	14.5	.60	1.2	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	29.63	27.88	28.50	-.88	-2.98	32.50	16.00	-.17	-.80	-.53	-28.97	.73	.36	S 67.9	15.0	17.4	32.0	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	13.50	12.63	13.50	.13	.93	14.00	8.50	.85	.82	.61	.84	.00	-.12	N -85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	11.00	10.38	10.75	-.25	-2.27	12.75	7.13	.22	-.96	-1.67	.93	.61	-.21	N -33.9	47.0	14.6	26.2	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	111.88	106.38	111.50	3.50	3.24	111.88	64.75	.20	.73	-1.05	-19.57	6.73	.57	N 8.6	10.0	15.8	15.4	3.20	2.9	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	8.38	6.63	8.38	1.50	21.82	9.63	2.63	-.23	4.78	-2.80	11.70	.40	.27	F 207.7	NC	6.6	20.9	.00	.0	00-00-00	12.2	.8	3.0	.20	1.73
Marion Labs	MKC	47.25	43.00	45.75	-1.25	-2.66	47.25	21.00	-.03	-.14	2.88	26.25	.94	.39	Q 56.5	36.0	12.2	42.4	.36	.8	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	137.75	131.63	137.00	2.25	1.67	137.75	90.25	.16	.42	.44	2.09	6.71	.71	N 10.9	6.0	13.8	18.9	3.60	2.6	12-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	39.50	36.38	36.75	-2.88	-7.26	40.50	26.00	.17	-2.23	3.39	4.70	2.50	.29	Q 12.8	21.0	6.7	14.4	.70	1.9	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	18.75	17.50	18.38	-.13	-.68	26.00	12.00	-.11	-.16	-.19	-34.49	.52	.38	S 115.2	64.0	23.3	25.9	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	14.00	13.13	13.13	-1.38	-9.48	14.50	5.38	.62	-2.15	1.70	-21.53	.05	.00	S NE	NC	6.7	NE	.80	6.1	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.75	16.25	16.50	-.75	-4.35	23.25	8.84	-.61	-.80	-3.00	13.38	.42	-.05	F -10.6	80.0	12.7	39.3	.00	.0	00-00-00	21.3	2.7	3.3	.00	1.84
Pfizer Inc	PFE	51.13	47.50	50.63	-2.38	-4.48	56.25	37.63	-.18	-.27	2.17	-35.07	3.08	.37	N 12.3	15.0	13.2	14.9	1.48	2.9	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	6.00	5.75	5.88	.13	2.17	6.63	3.13	.50	-.56	5.35	49.42	.13	.02	Q 16.7	26.0	6.0	42.0	.04	.7	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	11.50	11.00	11.50	.50	4.55	24.38	5.50	-.26	.61	-.25	28.22	-18.44	-18.79	N -100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	37.88	35.00	35.75	-2.13	-5.61	47.00	24.00	-.33	-1.23	-8.04	42.80	2.08	-.04	N -1.9	4.0	8.5	17.5	1.12	3.1	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	15.38	14.88	15.38	-.13	-.81	15.50	9.38	.46	.50	-3.25	-17.44	-.43	-.96	S -100.0	NC	-2.0	NE	.32	2.1	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	81.75	79.38	80.00	-1.38	-1.69	82.50	49.75	.13	-.34	-3.30	-7.66	3.68	.46	N 12.9	21.0	10.5	19.9	1.76	2.2	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	37.88	36.63	37.63	-.50	-1.31	41.38	26.75	-.09	-.07	-4.22	-21.72	2.37	.13	N 5.6	4.0	7.8	15.3	1.20	3.2	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	46.75	43.50	46.75	2.25	5.06	46.75	23.75	.56	.98	-2.17	-6.62	2.33	.55	Q 27.5	15.0	15.8	18.3	1.20	2.6	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	14.38	13.75	14.25	.25	1.79	18.38	11.75	-.09	.23	-2.92	6.14	2.20	-1.04	N -46.0	15.0	10.8	11.7	.40	2.8	09-24-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	134.88	131.00	133.50	2.88	2.20	141.50	67.38	-.21	-.25	-.56	11.15	5.67	.39	N 6.9	1.0	8.0	22.0	2.80	2.1	09-27-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	48.88	46.75	47.50	-1.50	-3.06	49.38	33.63	.55	-.65	-.71	-.74	2.81	.27	N 9.7	7.0	7.1	15.6	1.56	3.3	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	24.75	23.75	24.75	.50	2.06	29.50	6.25	-.32	.69	-.71	-12.74	.28	.97	N 510.5	89.0	7.7	21.3	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

Retailers caught in diaper war

'86 cost hike means profit, volume juggle

With major disposable diaper manufacturers gearing up to hike prices 6% to 8% in 1986, retailers are left trying to figure out how to keep margins up while keeping prices competitive.

Executives at different chains are approaching the problem differently, with some planning to raise prices, others determined to keep them low, and still others adopting a wait-and-see attitude. Whatever their approach, all agreed that the expected rise in diaper costs will cause them to juggle volume and profitability.

"There's going to be millions of dollars turning diaper departments upside down next year," said Gary Charboneau, vp advertising and sales promotion at CVS.

The dilemma has been created by a war for premium product market share between the giants of the disposable diaper industry, Procter & Gamble (Pampers and Luvs) and Kimberly Clark (Huggies). Aiming at recapturing the lion's share of the $2.7 billion disposable diaper market, Procter & Gamble will spend $100 million in its campaign to promote three upgraded versions of Pampers and a newly designed Luvs. The company has seen its edge in the market slipping in recent years. In 1976, Pampers and Luvs together held 75% of the market; now the two take about 50%. The rest has been lured away by Kimberly Clark, with 25% for Huggies, and by private label brands.

P&G will be pushing a new form-fitting Pampers with extra padding in the middle, a leak-proof waistband and double elastic leg gathers, as well as a design with breathable leg cuffs and a third, thinner version with extra absorbency, dubbed "Ultra Pampers." Each of these has been test marketed in different parts of the country, with the first now available all over the United States. The company has said it will remove the old Pampers from the shelves to make way for the new.

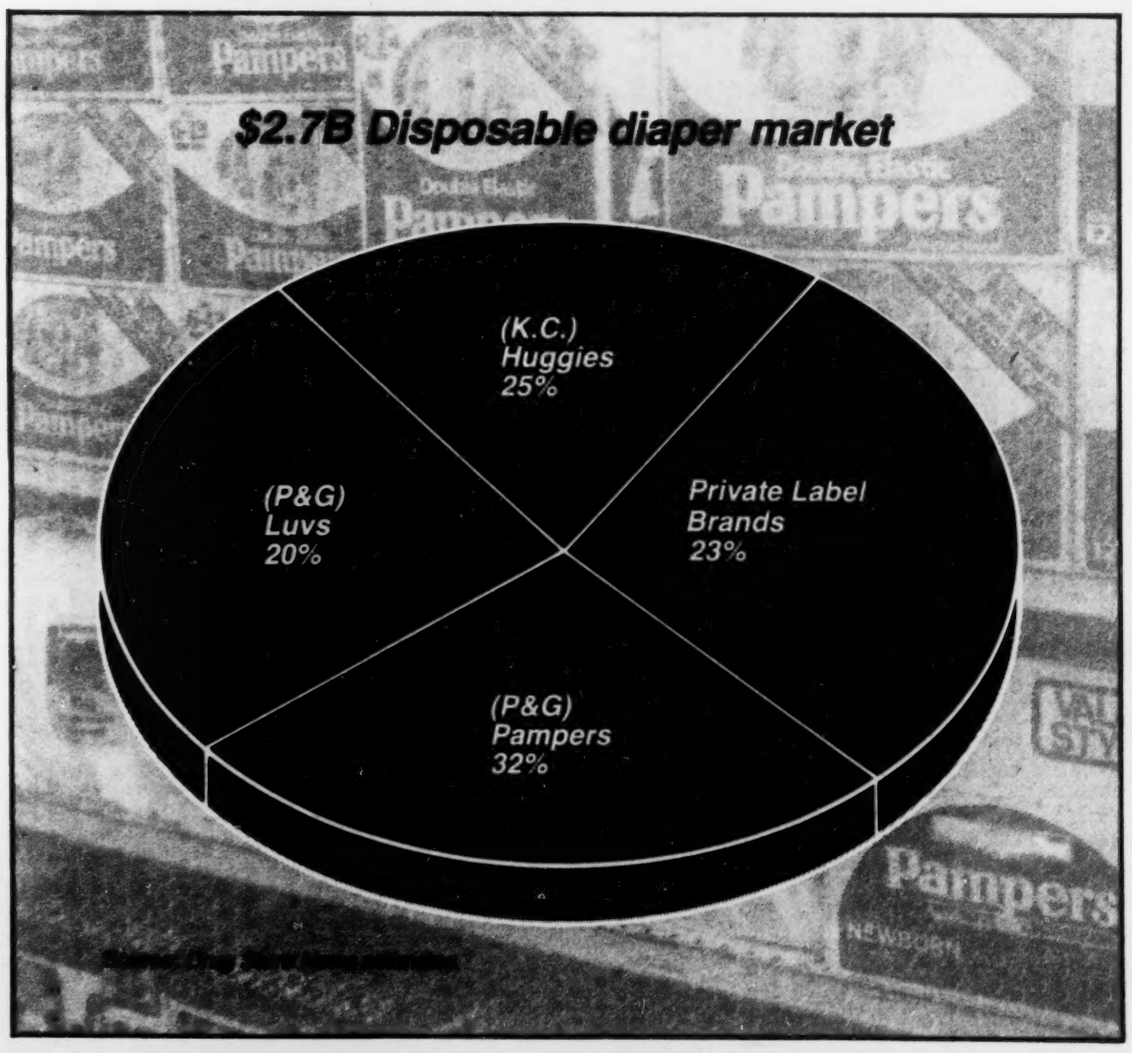
While P&G is advertising aggressively, Kimberly Clark seems to be lying low. Taking a different tack, the manufacturer of Huggies cut off all promotional allowances to retailers for the last three months of 1985 and has continued this policy into the first three months of 1986. One retailer speculated that the company is retooling machinery to come out with its own restyled product. The manufacturer did not return *Drug Store News* telephone calls.

A merchandiser at one major drug chain who did not want his name used said he plans to deal with cost hikes by raising the prices of all disposable diapers and then waiting to see what the competition will do. If they don't do the same, he said, he will bring prices back down. His prices now are typically $8.99 to $10.49 for a version of Pampers that he called "regular" and $9.69 to $11.49 for the extra absorbency version. He charges $9.39 to $11.99 for Luvs and $9.39 to $11.79 for Huggies. But he said his chain constantly monitors the competition and changes prices accordingly. Richard Lazenby, merchandise manager at Standard Drug in Virginia, said the same. "Everybody shifts around," he said.

With supermarkets also vying for diaper customers, some drug retailers see the manufacturers' market share

Continued on page 10

Disposable diapers and baby food, heavy demand traffic categories, are merchandised on facing 36-ft. gondolas in a California Pantry combo. The design exposes shoppers to high-profit toys, packaged apparel and baby powder.



Genovese fills baby stock weekly

Baby needs will be a more productive department at Genovese, thanks to a new 153,000-sq.-ft. warehouse that enables the chain to buy centrally and distribute to stores on an as-needed basis.

By buying in large quantities and stocking bulk items like diapers and formula in the new warehouse, the 76-store chain has been able to keep prices of these items down to nearly cost, restock shelves at the store level as needs occur and use more space for higher-margin sundry items such as baby bottles and nipples.

"With . . . the new warehouse . . . stores can get a weekly selection [of baby needs]."

—Donald Gross,
Genovese,
VP-marketing and distribution

One of the visible merchandise changes resulting from this is an expanded rack-jobbed display for high-margin sundries.

"With the opening of the new warehouse, we're able to control our own destiny," said Don Gross, vp of marketing and distribution. "The stores can get a weekly selection rather than the yo-yo effect of buying from the manufacturer."

When each store used to reorder directly from the manufacturer, they had to place minimum orders of 75 cases, often a hardship that resulted in three-week waits to fill holes or in unneeded merchandise taking up room and not turning over, he said.

Stocking bulk items in the warehouse frees storage space at store level and gives the stores the chance to stock items, instead, that yield higher margins. For example, some baby departments expanded their sundry sections from about 12 ft. to as much as 20 ft. to 24 ft. Rack items such as baby bottles and nipples, which sell for 79¢ to $25.49 (for sterilizer kits), bring margins as high as 30% to 50%, said one Genovese source.

Another financial benefit of buying baby needs "by the carload," as Gross put it, is a saving in costs of about 8%, according to the source. Genovese then prices merchandise aggressively to meet the demands of competition.

"Volume has jumped tremendously since we expanded the baby section," Gross said.

In some stores, larger baby departments replaced some slow-selling housewares sku's; in others, automotive gave way.

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MERCHANDISER

Disposable diapers

Continued from page 11

fray and their follow-the-leader game of upping costs as an upset to retailer price wars.

In Dallas, for instance, the Cullum Companies was forced to lower diaper prices in three of its Tom Thumb/Page stores when Albertsons came into the area recently and set across-the-board discount prices. Although Cullum said it has 22% of the Dallas market and 40% of the area's diaper market, it reduced its everyday price to below cost, charging $8.19 for a bag of Huggies for which it pays $9.25. The lowered price still doesn't match Albertsons, said Cullum grocery buyer John Gabriel, who noted that Albertsons charges $6.99 for the same bag.

Other chains, however, are dealing with rising costs by raising prices. Lazenby said the convenience pack which Standard now sells for $9.99 will go over the $10 mark in 1986. But he doubted that retailers would raise prices enough to compensate for the rise in costs. He said he was not sure how much his present 15% margin will slip in the coming year, but he was sure it would slip. He said he is thinking of taking on a private-label line comparable in quality to Huggies as a way of dealing with rising costs. He could realize as much as a 25% margin with a private label brand, he said.

Whether the P&G strategy to regain its high market lead will work remains to be seen. Cullum's Gabriel thought the new Pampers would have had a better chance with a brand new name. "It would sell if people wouldn't perceive it as another re-do," he said. He did not think P&G promotions will help, but he said Huggies sell with no promotions at all.

Jack Alleckson, merchandiser with Pay Less NW, agreed. Despite heavy advertising by P&G, he said sales have risen by a slim 5% since the new Pampers came in. "It's hard to get people to switch over," he said.

The merchandiser with the major chain who did not want his name used, said that sales in his stores have gone up about 50% since new Pampers arrived. He attributed the pickup to P&G promotions and the chain's own campaign, in which a year's supply and a six-month supply of Pampers were awarded in contests in each store.

Surprising facts

Although the birth *rate* is expected to go down each year for the next four years, the *number* of births is expected to rise (along with the population), according to figures derived from the U.S. Census Bureau.

In 1990, at least 3,790,529 babies are expected to be born (at the rate of 15.3 per 1,000 people).

In 1980, the rate was 15.9 per 1,000, but only 3,612,258 babies were born.

Any way you figure it, *that's a lot of diapers!*

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Rx/OTC news

PHARMACY

Patient's perception, not price is main reason for not taking Rx

Why don't patients get their prescriptions filled? Why do customers keep patronizing particular drug stores? What do customers want to know about their prescriptions?

The answers to these and other questions, part of a national survey for The Upjohn Company by Market Facts, may surprise you.

One of the most intriguing findings of the study, which involved 1,020 people who had gotten prescriptions filled during the last six months, was that *cost* was not a major factor in noncompliance, but the perception that the medication was not needed.

A sizable portion of the consumers surveyed, 14%, had obtained prescriptions from doctors and then did not get them filled. The survey results showed that consumers earning $15,000 to $49,999 were more likely to leave their prescriptions unfilled than those with either higher or lower incomes.

Why don't patients take their medications? Over 50% of the consumers surveyed said they didn't need them or did not want to take them because they felt better, didn't like taking the medications, or already had some on hand. Only 10.5% listed cost as an issue.

Almost two-thirds of the entire sample said they did not take all of a prescription at one time or another. A whopping 62% of those cited "recovered from the condition" as the reason. Another 13% said they discontinued medications because of side effects.

Another interesting finding was that 31% of the respondents would like to be able to talk with their pharmacists where their conversations could not be overheard. However, only 7% said they cannot talk to their pharmacists whenever they wish.

A majority of consumers surveyed would like pharmacists to provide information about:

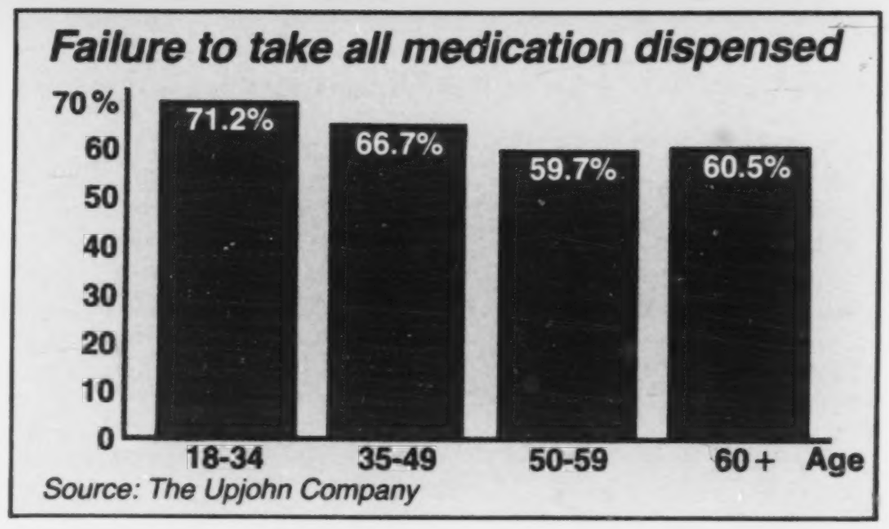
- What drugs to avoid while taking prescribed medication.
- how to properly store the medication.
- possible side effects of the medication.
- food/dr g interactions.
- how to take the prescribed medication.

However, the study showed that when consumers had questions about their prescriptions, 57% asked their doctors for information, while only 15% routinely asked their pharmacists for such information. Twenty-four per cent of the sample asked both medical professionals for information on prescriptions.

A whopping 30% of the respondents had patronized a preferred pharmacy for over 10 years.

Income levels	% not completing course of medication
Under $7,500	53.5
$7,500-$14,999	67.5
$15,000-$24,999	65.1
$25,000-$49,999	71.2
$50,000+	60.8

Source: The Upjohn Company



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